

# **S. Preston Douglas & Associates, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

## **MEMBERS**

American Institute of CPAs

N. C. Association of CPAs

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor  
and Members of the City Council  
Archdale, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Archdale, North Carolina as of and for the year ended June 30, 2006, which collectively comprise the City of Archdale's basic financial statements, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Archdale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. We noted certain matters that we reported to management of City of Archdale in a separate letter dated September 15, 2006.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Archdale's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, members of the City Council, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*S. Preston Douglas & Associates, LLP*

September 15, 2006

# **S. Preston Douglas & Associates, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N. C. Association of CPAs

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major State Program and Internal Control Over Compliance  
in Accordance with Applicable Sections of OMB Circular A-133  
and the State Single Audit Implementation Act**

To the Honorable Mayor  
And Members of the City Council  
Archdale, North Carolina

## **Compliance**

We have audited the compliance of the City of Archdale, North Carolina, with the types of compliance requirements described in the *Audit manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major state programs for the year ended June 30, 2006. The City of Archdale's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City of Archdale's management. Our responsibility is to express an opinion on the City of Archdale's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Archdale's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Archdale's compliance with those requirements.

In our opinion, the City of Archdale complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2006.

## **Internal Control Over Compliance**

The management of the City of Archdale is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the City of Archdale's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, members of the City Council, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*S. Preston Douglas & Associates, LLP*

September 15, 2006

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2006**

---

<b>SECTION I. SUMMARY OF AUDITOR'S RESULTS</b>
--

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Reportable condition(s) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes      X   No

Noncompliance material to financial statements noted \_\_\_\_\_ Yes      X   No

**State Awards**

Internal control over major state programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Reportable condition(s) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes      X   No

Noncompliance material to state awards \_\_\_\_\_ Yes      X   No

Type of auditor's report issued on compliance for major state programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_\_\_ Yes      X   No

Identification of major state programs:

Program name

Powell Bill

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2006**

---

<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
---

None

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2006**

---

<b>SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS</b>
---

None

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Corrective Action Plan**  
**For the Fiscal Year Ended June 30, 2006**

---

<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
---

None Reported

<b>SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS</b>
---

None Reported

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2006**

---

There were no prior audit findings.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2006**

<u>Grantor Pass-Through Grantor Program Title</u>	<u>State Number</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>State Grants:</b>			
<u>N.C. Department of Transportation</u>			
Powell Bill	-	\$ 390,988	\$ -
<u>N.C. Department of Environment and Natural Resources</u>			
Clean Water Management Trust Fund	-	<u>175,000</u>	<u>-</u>
Total Assistance		\$ <u>565,988</u>	\$ <u>-</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2006**

---

**I. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of state awards includes the state grant activity of the City of Archdale and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

